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AICPA *Washington Report*

November 10, 1975, Volume IV, Issue 37

CAB	Hearings on CAB and FAA regulation continue this week.	p. 1
CFTC	Advisory committee on trading professionals to meet.	p. 1
FEC	Accounting fees will be subject to expenditure limits of candidates.	p. 1
FEA	Report on natural gas curtailments for 1975-76 released.	p. 1
FPC	James Watt receives Senate confirmation.	p. 1
FRB	Regulations on registration of transfer agents published	p. 2
GSA	FMC 74-7 is amended.	p. 2
HEW	Financial assistance program regulations issued.	p. 2
Interior	Grantee accounting and bookkeeping systems to be subject to pre-award certification	p. 2
IOC	Suspension of order on broadened "securities" definition issued.	p. 2
	Motor carrier reporting requirements issued.	p. 2
DOL	More information on pension law available.	p. 3
	Job Corps program regulations contain audit provisions	p. 3
	Comments sought on the need for audits of all pension plans.	p. 3
SEC	New series of Staff Accounting Bulletins started	p. 3
	Rule on confidential treatment of information proposed	p. 3
	New Chairman Hills comments on SEC work.	p. 3
	See "FRB" for regs on registration of transfer agents.	p. 4
Treasury	AICPA Tax Division testifies on private ruling letters	p. 4
	Proposed amendments on adjusted gross income released.	p. 4
	More regulations under ERISA proposed.	p. 4
	ORS amends regs on revenue sharing audits.	p. 4
Special	Wilbur R. "Bill" DeZerne, CPA, receives special award.	p. 4
	1975-76 U.S. Government Manual available	p. 4
	"Planning Initiatives" conference scheduled on Nov. 13-14.	p. 5
	U.S. Chamber tax forum to be held Nov. 18-19	p. 5

CIVIL AERONAUTICS BOARD

Hearings on CAB and FAA regulation and their affect on small businesses in the air transportation field will continue this week. Bureaucratic delay and burdensome and unneeded regulatory requirements, along with a general disregard of the small businessman have already been voiced. The hearings are being held by the House Small Business Committee and will be chaired by Rep. Hungate (D-MO), Chairman of the Subcommittee on Activities of Regulatory Agencies.

COMMODITY FUTURES TRADING COMMISSION

The Commission's Advisory Committee on Regulation of Commodity Futures Trading Professionals will hold a public meeting on 11/18/75 in Room 925, 1120 Connecticut Ave, NW, Washington, D.C., beginning at 10 a.m. Among the items that the newly-formed Committee will be considering are recordkeeping, reporting and financial responsibility requirements for Commodity Futures Trading Professionals. For further information, call Margaret Harrison at 202/254-8955.

FEDERAL ELECTION COMMISSION

Accounting or legal fees paid to assure compliance generally with the Federal Election Campaign Act, or to assist in a routine FEC audit, will be considered as expenditures subject to both disclosure and the expenditure limitations for Federal office candidates and committees. This decision was announced by the Commission in Advisory Opinion 1975-27 and published in the 11/4/75 Fed. Reg., p. 51351. In issuing the opinion, the FEC noted that such expenditures would at least indirectly be made to influence the election of Federal candidates since one's election is jeopardized by conduct that may violate the law. Advisory Opinions are issued on an interim basis pending promulgation of rules and regulations or policy statements of general applicability.

FEDERAL ENERGY ADMINISTRATION

"Natural Gas Curtailments 1975-76 Heating Season" is a new report recently released. The report says that although there will be no curtailment of natural gas to residences, industrial slowdowns or shutdowns could occur due to insufficient gas supplies, the inability to burn alternative fuels, or the competitive disadvantage of paying higher prices for alternative fuels. The report is based on a joint FEA-FPC survey last August of 1,700 pipeline companies, local distributors, and municipal gas companies, which deliver gas to end-use customers. Copies are available by calling 202/961-8346.

FEDERAL POWER COMMISSION

James Watt has been confirmed by the Senate on a voice vote to be a member of the Commission for the term expiring June, 1979. All the Commissioner positions have now been filled.

FEDERAL RESERVE BOARD

Final regulations covering the registration of transfer agents with respect to securities have been jointly issued by the three bank regulatory agencies and the Securities and Exchange Commission. The regulations and related Form TA-1 require registration by transfer agents with their respective regulatory agencies by 12/1/75. The FRB regulations appeared in the 11/4/75 Fed. Reg., p. 51179; Comptroller of the Currency in the 10/29/75 Fed. Reg., p. 50251; FDIC in the 10/30/75 Fed. Reg., p. 50508; and the SEC regulations were in Rel. No. 34-11759, 10/23/75.

GENERAL SERVICES ADMINISTRATION

An amendment to Financial Management Circular (FMC) 74-7 setting forth Supplement No. 2 was published in the 11/3/75 Fed. Reg., p. 51038. The amendment is for the purpose of expanding the coverage of the FMC to include school districts and federally-recognized Indian tribal governments.

HEALTH, EDUCATION AND WELFARE, DEPARTMENT OF

Finalized regulations covering a program of financial assistance to State educational centers and services for guidance, counseling and testing programs appear in the 11/3/75 Fed. Reg., p. 51010. In Section 118.7(d), State plans are required to include a designation of agencies with authority over the funds and to require procedures for fiscal control and fund accounting.

INTERIOR, DEPARTMENT OF

Finalized regulations for contracts and grants under the Indian Self-Determination Act appear in the 11/4/75 Fed. Reg., beginning at page 51282. Several major programs are covered and there are provisions requiring that the book-keeping and accounting systems of any grantees be certified before the Bureau disburses any funds under a contract awarded as a result of its application.

INTERSTATE COMMERCE COMMISSION

A notice halting the effective date of the order expanding the definition of the terms "securities" and "assume any obligation or liability" pending judicial review has been issued (see 11/4/75 Fed. Reg., p. 51199). The Association of American Railroads has filed a petition for review of the Commission's order in the U.S. Court of Appeals in the District of Columbia.

Finalized revisions to ICC procedures governing the data and information to be submitted by motor carriers of general commodities seeking general revenue increases were proposed in the 11/4/75 Fed. Reg., pp. 51380-407. The revisions expand the application of the procedures, require the submission of certain additional data, and revise and further define various definitions and data computation. These changes are to take effect on or before 12/4/75. The publication includes appendixes with pertinent forms and accountants' schedules.

LABOR, DEPARTMENT OF

Two items of interest on the new pension law appear in the 10/31/75 Fed. Reg. beginning at page 50840. The first is a publication of the final regulations clarifying the definition of the term "fiduciary". The second is a joint publication entitled "Prohibited Transaction Exemption 75-1," governing exemption from prohibitions respecting certain classes of actions involving employee benefit plans and certain broker/dealers, reporting dealers and banks. Copies of the exemption and regulation may be obtained by calling 202/523-7405.

Final regulations covering the Job Corps Program appear in the 10/31/75 Fed. Reg. beginning at page 50812. Audits of Job Corps operators, deliverers or their subcontractors using Federal auditors or independent public accountants is required, and such audits shall be conducted in accordance with the GAO standards for audit ("yellow book").

Finalized regulations implementing the new temporary program of special unemployment assistance have been issued in the 11/5/75 Fed. Reg., p. 51600. There is a provision in Section 619.15 requiring each State agency to maintain records pertaining to the administration of the program as required by the Secretary and to make available for audit and inspection any such records so required.

Comments are being solicited on whether all pension plans under ERISA irrespective of size should engage an IPA to conduct an audit of the plan's books and records and prepare an opinion as required under Section 103(a) (3) (A) of the Act. A similar request for comments has been filed by the Internal Revenue Service. This is being done in conjunction with the publishing of the proposed annual return/report forms to be filed by pension plan administrators. For further information call 202/964-3132 or 202/523-7408. Comments or recommendations should be sent to the Chairman, Tax Forms Coordinating Committee, 1515 Internal Revenue Bldg., 1111 Constitution Ave., NW, Washington, D.C. 20224. The comment period has been extended until 11/19/75.

SECURITIES AND EXCHANGE COMMISSION

A new series of Staff Accounting Bulletins began on 11/4/75 with the release of Bulletin No. 1. The statements in the Bulletin are not rules or interpretations of the SEC nor are they published as bearing the SEC's official approval. They represent interpretations and practices followed by the Division of Corporation Finance and the Chief Accountant in administering the disclosure requirements of the Federal securities laws. The 85-page Bulletin No. 1 consist of a series of factual presentations with questions and interpretive responses on such topics as financial statements, business combinations, senior securities, equity accounts, real estate companies, finance companies, and interpretations of various Accounting Series Releases.

A new Rule 24b-2 relating to the confidential treatment of certain information required to be filed with the SEC has been proposed (see Rel. No. 34-11774, 10/30/75). The release rescinds the old Rule 24b-2 and proposes the new Rule pursuant to the Securities Acts Amendments of 1975 and recent changes to the Freedom of Information Act. The time for comment ends 12/1/75.

The new Chairman of the SEC, Roderick M. Hills, stated in a recent interview that he is concerned over his agency's relations with the accounting and legal

professions. Mr. Hills stated that he is concerned about improving relations with the professions, and on the subject of recent disclosures of corporate bribery, he stated that what is significant, in terms of the SEC's disclosure requirements, is not the size of the bribe but the amount of business potentially affected. He stated that the Commission is still trying to decide whether it should deal with the bribery issue through a general rule or by operating on a case-by-case basis. Referring to auditors, the Chairman stated that they want the Commission to issue a general rule, "so they don't go wrong".

See "Federal Reserve Board" for regulations on registration of transfer agents.

TREASURY, DEPARTMENT OF

William C. Penick, CPA, Chairman of the AICPA Federal Tax Division, presented testimony before the Senate Subcommittee on Administration of the Internal Revenue Code on the subject of private ruling letters and technical advice memoranda on 11/6/75. While recognizing the benefits of having private rulings available for public inspection, Mr. Penick suggested that the identity of the taxpayers must remain confidential. This preservation of confidentiality is essential, he stated, if the private rulings program is to continue as a valuable tool to both taxpayers and the IRS. Copies of his statement are available from the Washington office upon request.

Proposed amendments to the tax regulations pertaining to adjusted gross income appeared in the 10/31/75 Fed. Reg., p. 50720. The amendments will provide that amounts forfeited as a result of premature withdrawal of funds from a time savings account or similar deposit are to be deducted from gross income in arriving at adjusted gross income. If adopted, they will be effective for taxable years beginning after 12/31/72. Comments are due by 12/8/75.

Proposed and temporary regulations pursuant to ERISA appeared in the 11/5/75 Fed. Reg., pp. 51445 and 51421, respectively. The regulations pertain to minimum vesting standards and employees of organizations under common control. The comment period on the minimum vesting standards proposals ends 1/9/75, and on the common control proposals, 1/4/76.

Revenue sharing audits should be performed by persons not employed by the local government receiving the funds, says the Office of Revenue Sharing. In minor amendments to the revenue sharing regulations which appeared in the 11/3/75 Fed. Reg., p. 51035, the ORS deleted local government auditors from the list of auditors that are preferred, but stated that they may accept such audits "in cases where they can be performed in a manner consistent with the objectives of the Act and regulations".

Wilbur R. "Bill" DeZerne, CPA, Director, Office of Audit, received Secretary Simon's Exceptional Service Award in October. The award was for exemplary skill and leadership that resulted in a "striking record of accomplishments". Appointed in 1970, Mr. DeZerne heads the quality control overview of 650 staff auditors.

SPECIAL: CORPORATE PLANNING CONFERENCE SCHEDULED

"Planning Initiatives at the National Level" is the title of the Planning Executives Institute's 19th corporate planning conference. It is scheduled for November 13 and 14 at the Ramada Inn, Rosslyn, VA. The first day's sessions will be

devoted to various points of view concerning national economic planning. The second day's program includes discussions of issues related to the planning cycle itself. For more information, call 202/223-1700.

SPECIAL: NEW U.S. GOVERNMENT MANUAL AVAILABLE

The 1975/1976 edition of the United States Government Manual can now be ordered.

This official guidebook provides useful information about a wide variety of programs and activities within the three branches of the Federal Government. As an added attraction, it also contains a listing of bicentennial activities and programs. Copies may be obtained from the GPO at \$6.50 per copy (S/N 022-003-00910-8).

SPECIAL: NATIONAL CHAMBER ANNOUNCES EIGHTH ANNUAL NATIONAL TAX FORUM

The Chamber of Commerce of the United States is sponsoring its annual tax forum on November 18 and 19. It will include a reception with Congressional and Treasury Department tax officials on the evening of the 18th. Discussions on tax reform affecting individuals as well as sessions on foreign source income and a legislative overview of the 1975 tax reform legislation have been planned. Arthur F. C. Harris, CPA of Touche Ross & Co. and Roscoe L. Egger, Jr., CPA of Price Waterhouse and Co. will participate in this program. For more information contact the Chamber at 202/659-6000.

For further information, please contact:
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